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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

MEDSQUIRE, LLC

Plaintiff,

vs.

SPRING MEDICAL SYSTEMS, INC.;
QUEST DIAGNOSTICS, INC.;
NEXTGEN HEALTHCARE
INFORMATION SYSTEMS, INC.;
HENRY SCHEIN MEDICAL
SYSTEMS, INC.; HEWLETT-
PACKARD COMPANY; APRIMA
MEDICAL SOFTWARE, INC.;
eCLINICALWORKS, LLC; MED3000,
INC.; PULSE SYSTEMS, INC.;
COMPULINK BUSINESS SYSTEMS,
INC.; NEXTECH SYSTEMS, INC.;
NAVINET, INC.; successEHS, INC.;
athenaHEALTH, INC.

Defendants.

) Case No. CV11-4504-JHN (PLAx)

) **OPPOSITION TO JOINT MOTION
TO DISMISS FOR MISJOINDER**

) Date: December 5, 2011
) Time: 2:00 p.m.
) Courtroom: 790

) Hon. Jacqueline H. Nguyen

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I. INTRODUCTION

After more than six months of litigation, Defendants ask this Court to dismiss without prejudice all Defendants but one based on an alleged misjoinder. Defendants' motion should be denied.

First, even if Defendants were improperly joined, this Court has discretion to allow the case to go forward as is. At this point, with a pretrial schedule set and discovery well underway, reshuffling parties into separate cases would present a procedural mess, which would end up accomplishing nothing. Indeed, even if each Defendant were in a separate case, the cases could be consolidated – with the parties ending up as they sit now. In other words, the considerable waste of party and judicial resources that Defendants seek would accomplish nothing except separate trials, which this Court can order anyway without dropping or dismissing parties. Moreover, the waste that would result from granting Defendants' motion would be made worse by Defendants' unexplained six-month delay in raising the joinder issue.

Second, Defendants are not misjoined. Medsquire's complaint alleges a common transaction or occurrence. Specifically, Medsquire alleges that each Defendant infringes by making and selling software that complies with a federal standard published in the Code of Federal Regulations. This common basis for infringement easily qualifies as a basis for a proper joinder of Defendants under Fed. R. Civ. P. 20.

Third, no Defendant can point any particularized prejudice that would occur to it should this case continue jointly for pretrial discovery and trial.

Fourth, the changes to Rule 20 in the America Invents Act does not apply to this case. Those changes only apply to actions "commenced" after September 16, 2011. Medsquire commenced this action last May, and the filing of amended complaints does not result in the action being "commenced" anew.

Finally, even if this Court finds that Defendants have been misjoined, and elects to exercise its discretion to remedy the misjoinder, the most efficient remedy

1 would be to sever certain Defendants into separate actions, and to consolidate those
2 actions with this case.

3 **II. THE COURT SHOULD EXERCISE ITS DISCRETION TO DENY**
4 **DEFENDANTS' MOTION**

5 It is well settled that an alleged improper joinder under Fed. R. Civ. P. 20 falls
6 within the broad discretion of the district court. *United States v. Wyoming Nat. Bank*
7 *of Casper*, 505 F.2d 1064, 1067 (10th Cir. 1974). Given the Court's discretionary
8 powers, this Court should consider the practical implications of Defendants' motion
9 before considering the legal merits (or lack thereof).

10 This case is more than six months old. Medsquire filed the original complaint
11 on May 25, 2011, and promptly served all defendants. On August 9, 2011, this Court
12 entered an Order Re Jury Trial, setting a fact discovery cut-off of April 10, 2012, a
13 motion hearing cut-off of June 18, 2012, a final pretrial conference of August 13,
14 2012, and a trial date of September 11, 2012. To meet this schedule, the parties have
15 served written discovery, including document requests, and noticed depositions.
16 Additionally, Magistrate Judge Abrams entered the parties' Protective Order covering
17 confidential information.

18 Defendants' motion would have all parties but one start the process over again.
19 If the Court dismissed without prejudice all parties but one, as Defendants request,
20 Medsquire would be required to file nine new cases, each against a single Defendant.
21 With each new action, Medsquire would file a Notice of Related case. In all
22 likelihood, all cases would end up back before this Court. New Rule 26 conferences
23 would need to be held, new case scheduling orders would need to be issued, new
24 protective orders may need to be considered, and the discovery already served and
25 answered would need to be repeated.

26 In the end, this duplicative expenditure of party and judicial resources would
27 accomplish nothing except delay. After all the extra work, to prevent further
28 duplication, this Court probably would consolidate the separate actions pursuant to

1 Fed. R. Civ. P. 42(a) for the purposes of discovery and pretrial hearings. While the
2 existence of separate consolidated cases would provide each Defendant with a
3 separate trial, this Court already has the ability to order separate trials for each
4 Defendant joined in this action pursuant to Fed. R. Civ. P. 42(b). Thus, dismissing all
5 Defendants but one would result in considerable attorney and judicial work to get this
6 matter back to the procedural posture that it sits today.

7 Courts have denied requests to drop improperly joined parties when the moving
8 party needlessly delays in making the request. *Fritz v. American Home Shield Corp.*,
9 751 F.2d 1152, 1154-55 (11th Cir. 1985); *Celanese Corp. of America v. Vandalia*
10 *Warehouse Corp.*, 424 F.2d 1176, 1179 (7th Cir. Ill. 1970) (“Misjoinder of parties is
11 not ground for dismissal of an action.’ The proper remedy is a *timely* motion to drop
12 the improper party, and Vandalia therefore waived its objection to the continued
13 presence of Celanese.”) (citing *Crest Auto Supplies, Inc. v. Ero Mfg. Co.*, 360 F.2d
14 896, 898 (7th Cir. 1966); *Ziegler v. Akin*, 261 F.2d 88, 91 (10th Cir. 1958);
15 *Meyercheck v. Givens*, 180 F.2d 221, 223 (7th Cir. 1950); 3A Moore’s Federal
16 Practice, ¶¶ 21.03, p. 2905 (1969)) (emphasis added).

17 Here, the amount of duplicative work needed to remedy a misjoinder would
18 have been much less had Defendants filed their motion at the outset of this case.
19 Rather than raising the Rule 20 joinder issue at the outset, Defendants waited more
20 than six months to raise the joinder issue, and their motion offers no excuse for their
21 delay.¹ Defendants all asked for extensions of time to respond to the initial complaint.
22 When Defendant Quest responded by filing a motion to dismiss, and all other
23 Defendants joined, not one Defendant raised the issue of improper joinder. Had the
24 joinder issue been raised then, this Court could have directed Medsquire to file an
25

26 ¹ Defendants’ delay in this case is less than the delay at issue in the authorities cited
27 above. The point, however, is not the length of the delay but rather the fact of the
28 delay and the consequences to the effective and efficient resolution of the case that
results.

1 amended complaint against each Defendant separately. Because Defendants failed to
2 timely raise misjoinder as an issue that warranted dismissal of all parties but one, this
3 Court should exercise its discretion to deny Defendants' motion.

4 **III. MEDSQUIRE DID NOT IMPROPERLY JOIN DEFENDANTS IN THIS**
5 **ACTION**

6 Fed. R. Civ. P. 20(a)(2) provides that "[p]ersons . . . may be joined in one
7 action as defendants if [¶] (A) . . . with respect to or arising out of the same
8 transaction, occurrence, or series of transactions or occurrences; and [¶] (B) any
9 question of law or fact common to all defendants will arise in the action."

10 Defendants do not dispute that this action will involve many questions of fact and law
11 common to all defendants. Rather, defendants' misjoinder argument rests solely on
12 an assertion that this action does not arise out of the same transaction or occurrence.
13 Defendants are wrong.

14 First, Medsquire's Second Amended Complaint ("SAC") contains allegations,
15 which must be accepted as true, demonstrating that Defendants' acts of infringement
16 arise out of "the same transaction, occurrence, or series of transactions or
17 occurrences." Fed. R. Civ. P. 20(a)(2)(A). In the SAC, Medsquire alleges that each
18 Defendant infringes the '526 patent by programming their respective Electronic
19 Health Record ("EHR") software products to comply with the same federal
20 regulations. These regulations, published at 45 C.F.R. Part 170, were developed by
21 the Office of the National Coordinator (ONC) of the U.S. Department of Health and
22 Human Services (HHS) to set standards for EHR software vendors. Compliance with
23 the ONC rules qualifies an EHR software vendor for federal funds under the
24 American Recovery and Reinvestment Act (ARRA). Medsquire further alleges that
25 compliance with the ONC certification rules necessarily results in infringement of the
26 '526 patent, and that the accused EHR software products created and sold by each
27 Defendant complies with the ONC rules at 45 C.F.R. Part 170. *See* SAC (Doc. 111)
28 ¶¶ 18, 29-30, 33, 43, 53, 63, 73, 83, 93, 103, 113, 123, and 133. Defendants' common

1 satisfaction of the ONC-published EHR standards will be part of Medsquire's
2 infringement proof in this case, and a comparison of the asserted claims to the federal
3 EHR standards may alone satisfy Medsquire's burden of proving infringement. *See*
4 *Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321, 1327 (Fed. Cir. 2010) (holding that "if an
5 accused product operates in accordance with a standard, then comparing the claims to
6 that standard is the same as comparing the claims to the accused product."). Thus,
7 Defendants' common satisfaction of the ONC EHR standards easily fits the same
8 transaction or occurrence test for joinder under Rule 20.

9 Defendants argue that their submission of software for certification under the
10 ONC rules amounts to independent "similar business decisions," which does not meet
11 the same transaction or occurrence test. (Mot. at 4.) But characterizing as "business
12 decisions" Defendants' common acts of seeking and obtaining ONC certification,
13 which are central to Medsquire's infringement case, does not remove those common
14 acts from the same transaction or occurrence test. To the contrary, Defendants'
15 common satisfaction of the ONC EHR standards provides substantial similarity in the
16 factual background for Medsquire's infringement claim against each Defendant – as
17 the same transaction or occurrence test contemplates. *Coughlin v. Rogers*, 130 F.3d
18 1348, 1350 (9th Cir. 1997).

19 Defendants' authorities are all inapposite. (Mot. at 4-6.) None of the cases
20 involved allegations of infringement against multiple defendants based on the
21 common satisfaction of a standard, which necessarily resulted in the infringement of a
22 patent. Rather, each case involved claims of infringement against more than one
23 defendant (two or three defendants in most of the cases) where the only commonality
24 between defendants was an allegation that the Defendants infringed the same patent or
25 patents. Thus, these cases provide no support for Defendants' motion.

26 Second, even without common infringement based on satisfaction of the same
27 standard, courts have found defendants in patent cases properly joined where the
28 infringement claims against all the defendants involved a common nucleus of

operative facts or law. *See Mymail, Ltd. v. Am. Online, Inc.*, 223 FRD 455 (E.D. Tex. 2004). In *Mymail*, the district court exercised its discretion to deny a motion to sever patent infringement claims against multiple defendants under Fed. R. Civ. P. 21 because the logical relationship between the ways in which each defendant allegedly infringed the patent at issue sufficed for the same transaction or occurrence test in Rule 20:

Transactions or occurrences satisfy the series of transactions or occurrences requirement of Rule 20(a) if there is some connection or logical relationship between the various transactions or occurrences. *Hanley v. First Investors Corp.*, 151 F.R.D. 76, 79 (E.D. Tex. 1993). A logical relationship exists if there is some nucleus of operative facts or law. *Id.* Neither side disputes that questions of law or fact common to all defendants will arise in this case. The legal question as to the 290 patent's scope is common to all the defendants. MyMail alleges that all defendants have infringed the 290 patent. MyMail also alleges that the UOL Defendants have utilized shared resources, such as dial-up Internet access numbers, with the other defendants.

Id. at 456-457.

Besides finding that the joined defendants satisfied the same transaction or occurrence test, the district court further declined to sever or dismiss because: (1) the prospect of inconsistent claim construction if the cases were severed favored resolving related patent cases in same forum, (2) besides the duplicative use of scarce judicial resources, multiple claim construction proceedings risked inconsistency, created greater uncertainty regarding patent's scope, and impeded administration of justice, and (3) duplicitous claim constructions, discovery, and pretrial motions if defendants were dropped or severed would have decreased judicial efficiency. *Id.*

1 These factors equally apply in this case.

2 Further, courts have recognized that common affirmative defenses or
3 counterclaims satisfy the same transaction or occurrence test. *See Sprint*
4 *Communications Co., L.P. v. Theglobe.com, Inc.*, 233 F.R.D. 615, 617 (D. Kan. 2006)
5 (“claims arise out of the same transaction or occurrence when the likelihood of
6 overlapping proof and duplication in testimony indicates that separate trials would
7 result in delay, inconvenience, and added expense to the parties and to the court.”)
8 (quoting 7 Charles Alan Wright, Arthur R. Miller & Mary Kay Kane, Federal Practice
9 and Procedure § 1653.). Here, Defendants have all asserted identical affirmative
10 defenses of patent invalidity, and many Defendants have asserted identical
11 counterclaims for invalidity. For each affirmative defense and counterclaim, the facts
12 pertaining to whether the ’526 patent is valid will center on the same transaction or
13 occurrence. For this reason alone, Rule 20 is satisfied.

14 Finally, Defendants argue that they would be prejudiced if this Court were to
15 try Medsquire’s infringement claims against each Defendant in a single, joint trial.
16 (Mot. at 7-8.) Yet Defendants only assert broad contentions of “fairness” without
17 providing any details as to exactly how and why any particular Defendant would be
18 prejudiced based on facts unique to that Defendant. Indeed, the inability of any
19 Defendant to point out facts unique to it demonstrate why joining them in a single
20 case was proper. This is especially true since much of Medsquire’s infringement case
21 will focus on explaining exactly how the federal ONC rules, which Defendants all
22 meet, read on the claims of the ’526 patent. Further, courts around the country
23 repeatedly have held trials against multiple defendants in patent cases without
24 prejudicing individual rights, and Defendants can point to no instance where prejudice
25 from a joint patent trial resulted. In any event, if a Defendant can explain how
26 proceeding in a joint trial would result in particularized prejudice against it, this Court
27 can order a separate trial at the appropriate time under Fed. R. Civ. P. 42(b).

**IV. THE NEW JOINDER PROVISIONS IN THE AMERICA INVENTS ACT
ARE INAPPLICABLE**

Defendants argue that the amendments to Rule 20 for patent cases in the America Invents Act preclude joinder in this case. (Mot. at 9-10.) The amendments do not.

According to Defendants, the changes to Rule 20 show a “clear congressional intent . . . that patent defendants not be joined merely based on an allegation of infringement of the same patent.” (Mot. at 9.) But Medsquire’s complaint is not based on a “mere” allegation of infringement of the same patent. Rather, Medsquire alleges infringement based on the common satisfaction of a published standard. Further, the fact that Congress found it necessary to amend Rule 20 to limit the circumstances in which defendants can be joined in patent cases confirms that defendants in cases such as this can be joined under Rule 20 as it existed when Medsquire filed its complaint.

Defendants also argue that the amendments to Rule 20 apply in this case because Medsquire filed its Second Amended Complaint after the effective date for the Rule 20 amendments. But the changes to Rule 20 only apply to actions “commenced” after September 16, 2011, and Medsquire filed its complaint before then. Defendants assert that Medsquire actually “commenced” this action after September 16 because this Court’s General Order 10-07 defines amended complaints as “initiating documents.” Defendants confuse “initiating” with “commencing”. They are different, and Defendants point to nothing that suggests an “initiating” document for purposes of this Court’s local general order is a “commencing” document for purposes of the America Invents Act. To the contrary, the Federal Rules of Civil Procedure expressly state that an action is “commenced” by filing a complaint with the court. Fed. R. Civ. P. 3. Nothing in the Rules say that an action is “commenced” or “re-commenced” with the filing of amended complaints. In any event, this Court’s General Order 10-07 deals with rules for electronic filings in this

1 Court. In contrast, this Court's Local Rules *excludes* amended complaints from the
2 scope of "initiating" documents. C.D. Cal. Local Rule 3-2.

3 **V. EVEN IF DEFENDANTS WERE IMPROPERLY JOINED, THE**
4 **PROPER REMEDY IS SEVERACE AND CONSOLIDATION, NOT**
5 **DISMISSAL**

6 Federal Rule of Civil Procedure 21 states that "[m]isjoinder of parties is not a
7 ground for dismissing an action." While Rule 21 allows for a court to drop a
8 misjoined party, Rule 21 also allows a court to sever a claim against a misjoined
9 party. Fed. R. Civ. P. 21. If this Court finds that Defendants have been misjoined,
10 and elects to exercise its discretion to remedy the misjoinder, this most efficient
11 remedy would be to sever all Defendants but one from this case, order Medsquire to
12 file separate cases against the severed Defendants, place the severed Defendants in the
13 separate cases, and consolidate those separate cases with this case under Rule 42(a).
14 Any other remedy would significantly waste both party and judicial resources.

15
16 DATED: November 14, 2011 MCKOOL SMITH HENNIGAN, P.C.

17
18 By /s/ Lawrence M. Hadley
19 Lawrence M. Hadley

20 Attorneys for Plaintiff, MEDSQUIRE LLC
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